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TAGS: PREL PGOV EFIN EAID TU
SUBJECT: SCENESETTER FOR TURKISH FOREIGN MINISTER BABACAN'S
JUNE 3-9 WASHINGTON VISIT

Classified By: Ambassador Ross Wilson for reasons 1.4(b),(d)

¶1. (C) Summary. FM Ali Babacan is projecting a business-as-usual image as Turkey's domestic political situation continues to roil over the fate of the ruling Justice and Development Party (AKP). With the Prime Ministry focused on Iraq issues and the Presidency tracking Turkey's relations with Arab states, Babacan has emphasized Europe and Turkey's EU accession. His June 3-9 trip to Washington is a chance for us to show support for a duly elected government that has partnered well with us on key issues. He will come with a broad agenda. End summary.

IRAQ/PKK

¶2. (S) Since real-time intelligence sharing on the PKK began in November 2007, US-Turkish relations have improved markedly. Anti-Americanism has eased, with pro-US sentiment climbing from a low of 4% to 15%. Turkish military actions have isolated the PKK and degraded its capabilities, and notification/deconfliction arrangements have become routine. We have seen no credible reports of significant collateral damage. Intelligence sharing helps deter larger, potentially de-stabilizing Turkish cross border operations. We have used it to deepen our bilateral military cooperation and identify areas where improvements to Turkish capabilities would make Turkey a more effective NATO partner.

¶3. (S) Turkey's more robust defense against the PKK opened the way politically for the government to engage more with Baghdad and initiate direct contact with the Kurdistan Regional Government. Meetings with Nechirvan Barzani have restored a measure of trust between Turkey and the Iraqi Kurds. MFA Iraq Envoy Murat Ozcelik hopes to meet Massoud Barzani in Baghdad in late June. Ankara still looks for more concrete results from KRG pledges to limit PKK capabilities within northern Iraq, and the way Kirkuk is handled remains a flashpoint. Babacan will likely raise a recent Turkish proposal to amend Iraq's draft provincial electoral law to ensure representation for ethnic Turkmen in Kirkuk provincial governance (32-32-34-4). Babacan may also look for an update on our proposed Strategic Framework Agreement and SOFA with Iraq. In talks last week, the Turks advised the Iraqis to be cautious in their SOFA demands of us.

¶4. (C) Ankara's efforts to bolster Baghdad by engaging PM Maliki's government continue. PM Erdogan wants to kick-off

the high level bilateral commission proposed by President Talabani in Baghdad in June, and President Gul may visit Iraq later in the year. Iraq Envoy Ozcelik plans to spend a week per month in Baghdad to meet GOI officials, and the Turks expect to have their new Basrah Consulate open by late June.

REGIONAL ISSUES

¶15. (S/NF) Turkey's recent mediation efforts between Syria and Israel will likely be on FM Babacan's agenda. They are being handled primarily by foreign policy advisor Ahmet Davutoglu and MFA D/US Feridun Sinirlioglu (accompanying Babacan), who told us the parties have agreed to meet in Turkey at least twice a month for the foreseeable future. Realistic about the chances of success, Turkish leaders have at least started a new Syrian-Israeli dialogue. Once the talks became public, Babacan issued a statement playing down expectations and stressing the process would likely take months. Ankara wants to play a constructive post-Annapolis role on the Israeli-Palestinian track, and it worked effectively for a solution to the recent Lebanon crisis to set aside divisive partisanship. PM Erdogan attended President Suleiman's May 25 swearing-in ceremony, one of only two heads of government personally invited to do so. These high profile efforts strengthen the government's image as a regional player, despite domestic strife.

¶16. (C) The Turks continue to use traditionally close relations with the Afghans and Pakistanis to push the sides toward dialogue. Turkey hosted two summits in 2007 and wants to hold another in Istanbul as soon as Pakistan's politics allow. Babacan will likely raise Turkey's concerns that arresting General Dostum will aggravate Afghan instabilities, and he will resist the suggestion that Turkey host Dostum for a prolonged "convalescence." Turkey currently has some 800 troops in ISAF and plans to send an additional 130 staff for its headquarters, and the government recently announced a doubling of its previous \$100 million aid commitment to support its PRT and work elsewhere in the country.

¶17. (C) Turkey maintains good but wary relations with neighboring Iran, and Babacan will look for ways to bolster P5/1 diplomacy in coming months. IAEA Ambassador Schulte visited Ankara in April to update the Turks on our thinking post-NIE. Davultoglu and President Gul's foreign affairs advisor (a former ambassador to Tehran) urged prompt submission of the refreshed P5/1 offer and broader promotion with the Iranian public as a way to leverage a more forthcoming response. Turkish-Iranian talks on natural gas and Tehran's hoped-for Ahmedinijad visit to Ankara have languished for months; we should urge that they continue to do so.

¶18. (C) Babacan may also sound encouraging notes on Cyprus and Armenia, although it will be difficult for the GOT to make much progress on these issues while AKP remains vulnerable. Turkish officials are taking a low-key approach to recent overtures between "President" Talat and Cypriot President Christofias and tell us they are giving Talat room to maneuver under the new political conditions. Proposals to crack open frozen relations with Armenia, including establishing a joint historical commission, remain on the table but may be a tough sell in the current nationalistic atmosphere.

EU ACCESSION

¶19. (C) Babacan will arrive in Washington fresh from May 28 meetings in Brussels to discuss the latest report, adopted May 26 by EU Foreign Ministers, on Turkey's progress. The report called on Turkey to speed up reform, address corruption, strengthen judicial impartiality and independence, limit military authority to appropriate sectors and resolve the closure case against AKP consistent with European principles. Babacan recently admitted 2007 was a lost year for reforms due to contentious presidential and general elections. He continues to emphasize Turkey's goal remains full membership, despite French (largely) efforts to

downgrade its status. During recent visits, EC President Barroso and Enlargement Commissioner Rehn stressed that the door to membership is still very much open if the reform process is reinvigorated. The Slovenian Presidency is expected to open two additional chapters before July, bringing the total to eight, with one chapter closed. French FM Kouchner's recent statement that six negotiating chapters will be opened during the French EU Presidency would help restore momentum and, perhaps, enthusiasm.

ENERGY A TOP PRIORITY

¶10. (SBU) Turkish Energy Minister Guler visits Baku June 3, and PM Erdogan will meet President Aliyev June 4 in Nakhchivan for talks expected to focus on energy. We have encouraged agreement by Ankara and Baku on gas transit terms, which is key now to advancing the Nabucco and Turkey-Greece-Italy pipelines for bringing Caspian gas to Europe. Turkey's efforts to secure gas supplies by leveraging its role as a transit country are complicating the negotiations. Rising domestic energy demand (8% growth per annum) makes energy supply security a top Turkish foreign policy goal.

¶11. (SBU) Turkey strongly supports enactment of an Iraqi hydrocarbons law before investment, but wants US support for Turkish companies that may be penalized for late entry into the market. The GOT has proposed a gas pipeline to follow the route of the existing Kirkuk-Ceyhan oil pipeline, which has the capacity to move over 1 million barrels of oil per day but is operating at considerably lower volumes. To meet domestic energy demand, Turkey is developing its first civilian nuclear reactor. Thanks to the long-delayed approval of the US-Turkey Agreement on the Peaceful Uses of Nuclear Energy, US companies will be able to bid on the tender and other nuclear energy projects. Babacan's visit is a good opportunity to encourage Turkey to move from observer status to full member of the Global Nuclear Energy Partnership (GNEP), a decision the energy minister told us Turkey will make by September.

STEERING THE ECONOMY THROUGH TOUGHER TIMES

¶12. (SBU) The global economic downturn and domestic political turbulence are slowing Turkey's economy. Four percent growth is expected this year (versus 7% per year for the last six years) and inflation is likely to reach 10%, well above the 4% target. PM Erdogan recently acknowledged Turkey could lose much of the \$25 billion in foreign investment expected this year due to investor re-evaluation of Turkey, despite passage of long-delayed social security and labor market reform bills and government plans to continue energy privatizations. Turkey's IMF program ended May 10 with no sign of a follow-on program to anchor economic policy.

DOMESTIC POLITICAL TURMOIL

¶13. (C) Like other senior AKP officials, Babacan is projecting an image of business-as-usual, despite the AKP closure case. He is not among the 71 AKP members threatened with a ban from party politics and has been rumored as a possible stand-in prime minister should Erdogan be banned. Some AKPers have urged the US to take a stronger public stance against the closure case, given the blow closure of Turkey's recently elected ruling party would be to Turkish democracy. However, pragmatic action by Turkish leaders, not the US or the EU, is needed to restore calm and regain the trust of Turkey's public. Along those lines, AKP leaders recently told us they plan to launch a country-wide PR effort to bolster the party's credibility. Babacan's visit is an opportunity to stress USG appreciation of our partnership and the need for the GOT to press forward with EU-related political and economic reforms.